

Message Text

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PAGE 01 OECD P 12871 101753 Z

61

ACTION EUR-25

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SUBJECT: MEETING OF EXPERTS ON INVESTMENT GUARANTEES, MAY 8-9,
1973

PASS OPIC

1. THE ANNUAL DAC MEETING ON INVESTMENT GUARANTEE (INSURANCE)
CONVENED ON MAY 8, 1973, UNDER CHAIRMANSHIP OF B. A. CULHAM,
CANADIAN MANAGER, FOREIGN INVESTMENT INSURANCE DEPARTMENT,
EXPORT DEVELOPMENT CORPORATION. THOSE PRESENT INCLUDED REPRESENTATIVES FIFTEEN DAC COUNTRIES AND OBSERVERS FROM IBRD, V IMF,
BIAC (BUSINESS INDUSTRY ADVISORY COUNCIL), AND BERNE UNION.
MORE DETAILED DISCUSSION OF AGENDA ITEMS CONTAINED IN AIRGRAM
TO FOLLOW. HIGHLIGHTS FOLLOW

2. RECENT DEVELOPMENTS: THE UK AND FRANCE STARTED NEW PROGRAMS
LAST YEAR, THE FORMER RECEIVING MORE THAN ONE HUNDRED APPLICATIONS
BY END APRIL 1973. THE AMOUNT OF INSURANCE ISSUED BY OPIC IN
1972 FELL, BUT RECENTLY APPLICATIONS HAVE INCREASED. OPIC DISCUSSED
ITS NEW POLICIES FOR CONSTRUCTION AND LOAN CONTRACTS, AND REVIEWED
METHODS USED TO FINANCE CLAIMS SETTLEMENTS. OPIC (MILLS)
STATED THAT CONGRESS IS UNDERTAKING " SEARCHING REVIEW" OF OPIC
PROGRAMS. OPIC ALSO EMPHASIZED ITS VALUE AS " PROBLEM- SOLVER"
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PAGE 02 OECD P 12871 101753 Z

WHEN EXPROPRIATIONS OCCURRED. MILLS STATED THAT INSURED INVESTOR TURNS TO OPIC FOR GUIDANCE, REDUCING POSSIBILITY OF CONFRONTATION. EEC REPS STATED THAT NO FIRM DETAILS ON POSSIBLE EEC INSURANCE SCHEME WERE YET AVAILABLE, THOUGH EEC COUNCIL TO CONSIDER ISSUE.

AS PART OF REVIEW, BROCHES, IBRD, SAID BANK READY TO SHELVE IIIA UNLESS THERE IS REAL EXPRESSION OF INTEREST IN IT. BROCHES CALLED ARBITRATION AN INDISPENSABLE ELEMENT. HE STATED THAT IBRD PREPARED TO PROCEED WITHOUT LATIN AMERICAN PARTICIPATION. BROCHES NOTED WIDENING USE ICSID AND URGED MEMBERS TO ENCOURAGE INVESTORS AND HOST GOVERNMENTS TO USE ICSID ROUTE IN DISPUTE SETTLEMENT. PROPOSED THAT BILATERAL AGREEMENTS INCLUDE ICSID PROVISION.

2. LEGAL BASIS FOR OPERATORS GUARANTY SCHEME. DISCUSSION OF THIS AGENDA ITEM REVEALED THAT MOST MEMBERS ARE TAKING PRAGMATIC APPROACH. THEY WILL SEEK PROCEDURAL (I. E. OPIC- TYPE) OR SUBSTANTIVE (IE. E. FCN OR AER) BILATERAL AGREEMENTS WHERE POSSIBLE, BUT IF NOT POSSIBLE, WILL INSURE PROJECTS IF NOTIFIED THAT LOCAL LAWS AND POLICIES PROVIDE ADEQUATE PROTECTION FOR INVESTMENT. ALONE AMONG INSURERS, US WILL ISSUE COVERAGE ONLY IF BOTH AN AGREEMENT HAS BEEN SIGNED AND GOVERNMENT APPROVAL IS OBTAINED FOR INSURANCE PURPOSE. US INDICATED THAT QUESTION OF BILATERLAS NOW UNDER REVIEW. THERE WAS GENERAL AGREEMENT THAT EXISTENCE OF BILATERLA SID NOT NAKE SIGNIFICANT DIFFERENCE IN EXPROPRIATION ACTIONS OR IN DISPUTE SETTLEMENTS, ALTHOUGH WITH RESPECT TO LATTER SEVERAL DELEGATIONS BELIEVED THE EVIDENCE WAS INSUFFICIENT TO MAKE A DEFINITE JUDGEMENT.

3. REINSURANCE. UK, GERMAN, JAPANESE AND OTHER DELEGATIONS OPPOSED ANY MULTILATERAL REINSURANCE (OF EXPROPRIATION RISKS) PROGRAM AT THIS TIME. REASONS INCLUDED: (Q) ABSENCE OF ANY ADVANTAGE TO POOLING OF RISKS SINCE INSURERS ARE BACKED BY FULL FAITH OF THEIR TREASURIES, (2) STATUTORY LIMITATIONS ON REINSURING (CANADIAN SAID IT IS SEEKING REMOVAL OF THIS LIMITATION), AND ON INSURING NON- NATIONAL INVESTMENTS, (3) BELIEF THAT REINSURANCE, INVOLVING SEVERAL NATIONAL GOVERNMENT REPRESENT UNDESIRABLE " GANGING UP" ON HOST COUNTRIES AGENCIES, WOULD (4) ABSENCE OF CLAIMS EXPERIENCE, (5) DIFFERENCES IN NATIONAL INSURANCE SCHEMES, AND (6) THE SCOPE OF PROPOSED SCHEME IS TOO SMALL TO MEKE MUCH DIFFERENCE. THE CANADIAN AND DUTCH DELEGATIONS SUPPORTED REINSURANCE IN PRINCIPLE, UNCLASSIFIED

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PAGE 03 OECD P 12871 101753 Z

BUT ONLY CANADA IS CONSIDERING POSITIVE ACTION AT THIS TIME. SOME SEE REINSURANCE AS MEANS OF SPREADING RISK AND DETERRING EXPROPRIATORY ACTIONS, HOWEVER, NOT ALL AGREED THAT MULTINATIONAL INVESTMENTS LESS SUSCEPTIBLES THAN OTHERS TO EXPROPRIATION. HARD EVIDENCE THIS ISSUE LACKING.

4. DAC - BERNE UNION STATISTICS. MEMBERS FAVORED JOINT DAC- BERNE UNION REPORTING OM MEMBERS' S PROGRAMS AND CLAIMS EXPERIENCE. SUGGESTIONS MADE TO BROADEN REPORTING IN FUTURE TO INCLUDE SECTORAL DATA. SECRETARIAT NOTED PLANS TO PROVIDE LDC FACT SHEETS CONTAINING 31 INDICATORS USEFUL IN COUNTRY AND RISK EVALUATIONS.

5. OTHER BUSINESS. CHAIRMAN AGREED TO US SUGGESTION THAT NEXT YEAR' S MEETING CONSIDER: (1) MEMBERS S' DOMESTIC CONSIDERATIONS IN PROVIDING UNSURANCE AND (2) INSURANCE INCENTIVES TO PROMOTE INVESTMENT IN ENERGY AND RAW MATERAILS. DAC SECRETARIAT SUGGESTED THAT ISSUES OF FEES AND PROJECT EVALUATION ALSO BE DISCUSSED. IN CONCLUDING REMARKS CHAIRMAN SUGGESTED THAT NEXT ANNUAL MEETING . BE SCHEDULED FOR APRIL 1974.
BROWN

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